RTO West
Position on Price Reciprocity Options

Note: RTO West prefers to explore both Options 1 and 2.

<u>Option 1:</u> Reciprocal waiver of wheeling out/through (i.e., export) charges among approved RTOs.

- Pros
  - This method is most consistent with RTO West's current pricing scheme; and therefore, would not take the attention of RTO West participants away from their filing efforts.
  - This method is relatively simple to understand and administer.
  - This method contains cost allocation within a region.
  - This method mitigates cost-shifting among TOs within RTO West.
  - This method mitigates cost-shifting to participating TO's retail customers.
  - This method equitably treats suppliers (within and without any particular RTO).
  - This method is neutral in terms of affecting generation siting decisions.

- Cons
  - This method is not a complete solution to the elimination of between-RTOs/ISOs payments, e.g., leaves some cross-over responsibility between RTOs/ISOs (so would only partially eliminate barriers to trade insofar as a supplier selling into one RTO from another might pay two GMCs rather than the one paid by a supplier transacting within the borders of the RTO).
  - This method does not mitigate cost-shifting between regions in that RTO West and Desert Star are likely to see net reductions in transmission revenues as compared with current (traditional) rate-making.

<u>Option 2:</u> Replace wheeling out/through charges (not GMCs) with inter-RTO transfer payments.

- Pros
  - This method is most consistent with Desert Star's current pricing scheme; and therefore, would not take the attention of Desert Star participants away from their filing efforts.
  - This method mitigates cost-shifting among RTOs (inter-regional transfer payments will, however, result in transfers among TOs).
  - This method mitigates cost-shifting to participating TO's retail customers
  - This method equitably treats suppliers (within and without any particular RTO).
  - This method is neutral in terms of affecting generation siting decisions.
  - This method is a complete solution to between RTOs/ISOs payments since the Transfer Payments would include the appropriate amount for covering the Grid Management Charge.

- Cons (assuming a fixed charge)
  - This method will require significant data gathering effort and data appears to be scarce and incomplete.
  - This method will require the development of allocation methods (for payments and receipts) among TOs which will necessitate negotiations, e.g., term of the payment.
  - This method is relatively complex in that a "normalized" year would need to be defined/negotiated.
  - This method would require changes to CAISO's existing GMC.

- Cons (assuming a variable charge)
    - This method will require significant data gathering effort and data appears to be scarce and incomplete.
    - This method is relatively complex to develop and administer.
    - This method will require the development of allocation methods (for payments and receipts) among TOs which will necessitate negotiations, e.g., term of the payment.
    - This method, which involves an adjusted charge, e.g., on an annual basis, would complicate market transactions due to the fact that the full cost of a transaction would not be known in advance.
    - This method would require changes to CAISO's existing GMC.